

Business Interruption Insurance – Frequently asked questions

Q: What does business interruption insurance coverage cover?

A: Business interruption insurance primarily covers the shortfall in a businesses' turnover that is directly attributable to an interruption to business activities caused by insured damage to property insured. In addition, cover can be extended to cover other professional fees or increased costs in reinstating the business along with protecting the shortfall in turnover as a result of damage to property that the insured does not own.

Q: What can trigger a business interruption insurance claim?

A: Provided the section is taken out & cover is not excluded, damage to property insured under the Property, Theft, Money, Glass or General Property sections can trigger a claim under the business interruption policy.

Q: What is an 'indemnity period'?

A: This is the period of time you wish to insure your business for protection from a shortfall in turnover as a result of damage. This period commences from the date of loss & ends on the last day of the period selected. When selecting an appropriate indemnity period you should not only consider the length of time taken to reinstate or replace damaged property, but also allow a suitable time to win back lost customers during the period the business was interrupted.

Q: What is a shortage in turnover?

A: This refers to the amount that a businesses' turnover, following damage, falls short of in comparison to the period immediately prior to a loss (with appropriate allowance for changes in business trends where applicable). This shortage will provide the basis of calculating the amount payable in a claims scenario.

Q: What is underinsurance?

A: Underinsurance occurs where the sum insured selected does not reflect the actual exposures of the business. Where this occurs & the difference is above the amount allowed within the policy wording, the amount paid in a claim will be proportionally reduced.

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Q: What percentage of customer and suppliers business interruption is my business covered for?

A: The standard CGU Business Insurance policy provides automatic cover up to 20% of the BI sum insured for interruption as a result of damage to property located within Australia at the premises of a customers or suppliers of the insured.

Q: Am I covered if I can operate my business at a temporary location rather than suspend operations?

A: Yes, provided that the cost of in operating your business from that location is the same as, or less than the saving generated (for example you pay \$50,000 in costs to save \$100,000 insured loss). Where the cost is greater than the saving achieved, you will need to have taken out Additional Increased Cost of Working cover to ensure full coverage.

Q: What the process that I can expect in the event of a claim? What will I need to provide the claims examiner to help resolve my claim?

A: In order to establish the extent of a business interruption loss and calculate what is payable under the policy we firstly need to establish the insured's trading position in the period (typically 12 months) immediately prior to the business being interrupted, within this information we also need to establish what trends were being expected for the future in of the insured's business so that we can calculate what the projected income would have been if the interruption to the business had not occurred. We will then compare these to trading figures after the interruption occurred. Typically the information needed to verify quantum would see us ask for the insured's books of account, invoices, balance sheet, business plans/contracts & other related documents.

Appreciating that the above can take a significant period of time to materialise, we recognise the criticality of resuming operations (even in limited capacity) at the earliest possible time to help mitigate future losses so we also investigate the viability of such measures. Examples of measures we may investigate include; trading from alternative premises, additional marketing support/promotions, sourcing replacement manufacturers/suppliers of products or hiring temporary staff of machines to increase production.